

From: Cory Alder [mailto:cwa@nexusd.com]

Sent: Monday, July 14, 2008 5:28 PM

To: CMCouncil; LEECE, WENDY; KATRINA FOLEY - City Council; BEVER, E; DIXON, LINDA

Subject:

Good afternoon-We wanted to provide some substance to our claims that financing for f"or sale" condominiums at this time is problematic. We have included a letter from JP Morgan Chase, a leading investment Bank from New York, and Knightsbridge Capital, a regional investment broker that arranges financing for developers. Much of what both firms write about should not be a surprise, given all of the press about the debt crisis, the residential markets and most recently Indy Mac bank and Freddie Mac and Fannie Mae. The market is very unstable at present but we are confident we can proceed with a great project if given the ability to initially offer the residential portion of the project for lease. Thank you for your time and consideration.

Cory Alder

President

Nexus Companies

1 Mac Arthur Place, Suite 300

South Coast Metro, CA 92707

714-546-5600 Ext.229 office

714-546-5660 facsimile

949-584-3974 cell

cwa@nexusd.com



July 14, 2008

To: Cory Alder
President
Nexus Companies
1 Mac Arthur Place, Suite 300
South Coast Metro, CA 92707

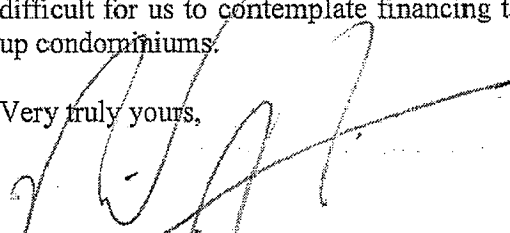
RE: Westside Lofts, Costa Mesa, CA

Cory:

As you know, we enjoy a longstanding relationship with Nexus Companies (Nexus) and its principals, in whom we have the highest level of confidence.

Given the current softness in the for-sale residential market, it is difficult to obtain residential construction financing, in particular for condominiums. Our general view is that the market is over-supplied, home values are still declining, and mortgage financing remains difficult to obtain. In addition, recent news about Indy Mac Bank, along with Freddie Mac and Fannie Mae, has caused more uncertainty to an already strained industry. For these reasons, it would be difficult for us to contemplate financing the above referenced project as ground-up condominiums.

Very truly yours,



Navid Moshtaghi
Executive Director



July 14, 2008

Mr. Cory Alder
President
Nexus Companies
1 Mac Arthur Place, Suite 300
South Coast Metro, CA 92707

Dear Cory:

The principals of Knightsbridge Realty Capital have over 60 years experience financing all types of commercial and residential real estate, including construction loans, bridge loans, permanent loans, mezzanine debt, preferred equity and joint venture equity. In addition, we have significant experience in loan work-outs and acquisition of distressed debt. Our experience in structuring complex financings and recapitalizing challenging deals sets us apart from many of our mortgage banking competitors.

To that end, we are continuing to find that financing for residential/condo, for-sale product is extremely difficult. Over the past 12 months we have accepted several financing assignments for this type of product in strong in-fill locations. In our endeavors to provide debt and/or equity we have not been able to attract capital for any of these projects. Lenders and investors are too busy dealing with the problems in their real estate portfolios.

On a more positive note, for-rent product (apartments, mobile home parks) located in in-fill locations are still able to attain financing at attractive rates.

Let us know if we can be of assistance. We are constantly talking to sources of capital to keep our fingers on the pulse of the market.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey L. Tomei". The signature is fluid and cursive, with a large initial "J" and "T".

Jeffrey L. Tomei

Managing Director